TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 2128 - HB 2392

April 5, 2022

SUMMARY OF BILL AS AMENDED (016982): Defines "base tax revenues" under the Convention Center and Tourism Development Financing Act for the Graceland Tourist Development Zone (TDZ) and the downtown TDZ in Memphis as the adjusted base rate tax revenues for the fiscal year ending on June 30, 2019.

FISCAL IMPACT OF BILL AS AMENDED:

Other Fiscal Impact – Due to multiple unknown variables, the precise decrease in state revenue, an equivalent increase in local revenue, and shifts in local revenue from general purposes to debt repayment of public use facilities cannot be quantified with reasonable certainty. In addition, the precise end date of any such reallocations cannot be determined at this time.

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-88-106 if a municipality or public authority has financed, constructed, leased, equipped, renovated or acquired a qualified public use facility within a tourism development zone, then state and local sales and use taxes shall be apportioned and distributed to the municipality in an amount equal to the incremental increase in state and local sales and use tax revenue derived from the sale of goods, products and services within the tourism development zone in excess of base tax revenues.
- Currently, Tenn. Code Ann. § 7-88-103 defines base tax revenue as the revenues generated from the collection of state and local sales and use taxes from all businesses within the applicable tourism development zone as of the end of the fiscal year immediately prior to the year in which the municipality or public authority is entitled to receive an allocation of tax revenue, adjusted annually after the first year by a percentage equal to the percentage of change in the collection of state and local sales and use taxes derived from the sale of goods, products and services for the entire county in which the public use facility is located for the preceding fiscal year.
- The proposed legislation sets the base rate revenue equal to what was reflected for the TDZ for FY18-19.
- Setting the base tax revenues at FY18-19 levels will result in a decrease in state revenue, and an equivalent increase in local revenue, equal to the difference in sales tax collections in any given year and the FY18-19 base, rather than the difference in any given year and the state and local sales and use taxes from all businesses within the

applicable tourism development zone as of the end of the fiscal year immediately prior to the year in which the municipality or public authority is entitled to receive an allocation of tax revenue, as adjusted annually.

- Additional shifts in local revenue may occur by shifting funds from other general purposes to the public use facilities.
- Such allocations will cease to happen upon the occurrence of one of the outlined criteria. The precise timing of an end to these allocations is dependent on future years tax collection growth and cannot be reasonably determined.
- Due to multiple unknown variables any such decrease in state revenue, an equivalent increase in local revenue, and shift of local funding to be used for debt repayment cannot be quantified with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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